

## Title 35-A, §3195, Commission authority to promote transmission and distribution utility efficiency

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### §3195. Commission authority to promote transmission and distribution utility efficiency

**1. Rate-adjustment mechanisms.** This Title may not be construed to prohibit the commission from or to restrict the commission in establishing or authorizing any reasonable rate-adjustment mechanisms to promote efficiency in transmission and distribution utility operations and least-cost planning. Rate-adjustment mechanisms may include, but are not limited to:

A. Decoupling of utility profits from utility sales through revenue reconciliation; [1991, c. 413, §1 (new); §2 (aff).]

B. Reconciliation of actual revenues or costs with projected revenues or costs, either on a total or per customer basis; [1991, c. 413, §1 (new); §2 (aff).]

C. Adjustment of revenues based on reconciled, indexed or forecasted costs; and [1991, c. 413, §1 (new); §2 (aff).]

D. Positive or negative financial incentives for efficient operations. [1991, c. 413, §1 (new); §2 (aff).]  
[1999, c. 398, Pt. A, §71 (amd); §§104, 105 (aff).]

**2. Just and reasonable rates.** In determining the reasonableness of any rate-adjustment mechanism established under this subchapter, the commission shall apply the standards of section 301 to ensure that the rates resulting from the implementation of the mechanism are just and reasonable. Prior to the adoption of a new or replacement alternative rate plan or renewal of any existing alternative rate plan, the commission shall, in order to ensure that rates at the starting point of the plan are just and reasonable, conduct a revenue requirement and earnings review pursuant to the standards of section 301. In conducting such a review under this subsection, the commission, at its discretion, may conduct the review in a manner designed to minimize the cost of the review to ratepayers.  
[2003, c. 45, §1 (amd).]

**3. Value of utility property.** Notwithstanding section 303, rate-adjustment mechanisms established under this section may be used to establish the value of the transmission and distribution utility's property.  
[1999, c. 398, Pt. A, §71 (amd); §§104, 105 (aff).]

**4. Ratepayer protection.** In determining the reasonableness of any rate-adjustment mechanisms, the commission shall consider the transfer of risks associated with the effect of the economy and the weather on the utility's sales. To the extent these risks are transferred from the utility to its customers, the commission shall consider in a rate proceeding the effect of the transfer of risk in determining a utility's allowed rate of return.  
[1991, c. 413, §1 (new); §2 (aff).]

**5. Annual report.** The commission shall submit to the joint standing committee of the Legislature having jurisdiction over utilities matters an annual report detailing any actions taken or proposed to be taken by the commission under this section, including actions or proposed actions on mechanisms for protecting ratepayers from the transfer of risks associated with rate-adjustment mechanisms. The report must be submitted by December 31st of each year.  
[1991, c. 413, §1 (new); §2 (aff).]

**6. Rate flexibility.** Notwithstanding sections 307 and 703, the commission, in an adjudicatory proceeding, may authorize a transmission and distribution utility to implement a program under which:

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A. The utility may change its schedule of rates with limited notice to the commission; and [1993, c. 614, §1 (new).]

B. The utility may enter into contracts for the sale of transmission and distribution services and related management services with limited or no prior express approval by the commission. [1999, c. 398, Pt. A, §71 (amd); §§104, 105 (aff).]

The commission shall render its decision in any adjudicatory proceeding held for the purposes of authorizing a utility to implement a program consistent with this subsection within 9 months of the initiation of the proceeding. In the adjudicatory proceeding, the commission shall establish the terms and conditions under which a program is authorized under this subsection. The authority granted to the commission under this subsection is in addition to the authority of the commission granted under other provisions of this Title and nothing in this subsection may be construed to limit the authority of the commission under any other provision of this Title. [1999, c. 398, Pt. A, §71 (amd); §§104, 105 (aff).]

PL 1991, Ch. 413, §1 (NEW).

PL 1991, Ch. 413, §2 (AFF).

PL 1993, Ch. 614, §1 (AMD).

PL 1999, Ch. 398, §A104,105 (AFF).

PL 1999, Ch. 398, §A71 (AMD).

PL 2003, Ch. 45, §1 (AMD).